

Message Text

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DRAFTED BY L/EB:PRTRIMBLE:LMS

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EDWOOD

EB/ORF/FSE:DHART

FEA:MR.WEST

S/S-O: M. TANNER

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FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA IMMEDIATE

C O N F I D E N T I A L STATE 041794

EXDIS UNDER SECRETARY ROBINSON FROM ARMITAGE

E.O. 11652: GDS

TAGS: EEW, ENGR

SUBJECT: U.S.-SOVIET OIL NEGOTIATIONS

SUMMARY: IN THURSDAY AND FRIDAY SESSIONS SOVIETS AGAIN PROPOSED DELETION ARTICLE 3, AND PROPOSED TWO DELETIONS IN U.S.-SIDE LETTER IN EXCHANGE FOR DELETION OF RESERVATION IN SOVIET ACKNOWLEDGMENT OF U.S.-SIDE LETTER AND REINSERTION IN AGREEMENT OF FORMER U.S. ARTICLE 6. RECOMMEND ACCEPTANCE OF PROPOSALS RELATING TO SIDE LETTER. WE WILL CONTINUE TO HOLD FIRM ON RETENTION OF ARTICLE 3. END SUMMARY.

1. AT SESSION BETWEEN TRIMBLE AND MEDVEDEV THURSDAY AND ARMITAGE AND OSIPOV FRIDAY, SOVIETS REQUESTED DELETION OF THIRD SENTENCE, SECOND PARA. U.S.-SIDE LETTER, WHICH READ AS FOLLOWS:

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QTE AS PROVIDED IN ARTICLE 1(C) OF THE AGREEMENT WE ALSO

HAVE AGREED THAT FOR THE YEAR 1976 SUCH CRUDE OIL OR PETROLEUM PRODUCTS, OR PETROLEUM PRODUCTS REFINED OR OTHERWISE DERIVED FROM SUCH CRUDE OIL OR PETROLEUM PRODUCTS, ARE TO BE DELIVERED TO THE UNITED STATES MARKET. UNQTE

WITH THIS DELETION (AND CONFORMING DELETION OF REFERENCE TO ARTICLE 1(C) IN FIRST PARA SIDE LETTER) THEY WILL DROP RESERVATION IN SOVIET SIDE LETTER AND ALSO WILL NOT NEED ANY REFERENCE TO CONSULTATION PROCEDURE. SOVIETS POINT OUT CORRECTLY THAT ABOVE SENTENCE IS UNNECESSARY BECAUSE UNDER AGREEMENT ALL SHIPMENTS MUST BE FOR U.S. MARKET UNLESS WE OTHERWISE AGREE. THEREFORE SIDE AGREEMENT ONLY NECESSARY IF NON-U.S. MARKETS TO BE PERMITTED. ALSO WE NOTE THAT PRECEDING SENTENCE ESSENTIALLY MAKES SAME POINT CONTAINED IN SENTENCE PROPOSED TO BE DELETED. THIS SENTENCE INSERTED ORIGINALLY ONLY TO REITERATE FACT THAT FOR 1976 OIL WOULD GO TO U.S. MARKET. DELETION WOULD NOT CHANGE THAT REQUIREMENT AND IS THEREFORE ACCEPTABLE FROM LEGAL POINT OF VIEW.

2. SOVIETS ALSO SUGGESTED DELETION OF LAST PARA. U.S.-SIDE LETTER, WHICH READ AS FOLLOWS:

QTE I WISH ALSO TO CONFIRM OUR UNDERSTANDING THAT THE AGREEMENT AND COMMERCIAL TRANSACTIONS THEREUNDER WILL NOT INTERFERE WITH EXISTING CONTRACTS BETWEEN SOVIET FOREIGN TRADE ORGANIZATIONS AND PRIVATE UNITED STATES COMPANIES OR THEIR AFFILIATES. UNQTE

IN RETURN THEY ARE PREPARED TO ACCEPT OUR FORMER ARTICLE 6, COVERING SAME POINT IN BODY OF AGREEMENT. THIS WOULD BE NEW ARTICLE 7 ON PRESENT TEXT, WITH ARTICLE 7 BECOMING ARTICLE 8.

3. U.S.-SIDE LETTER WOULD THEREFORE READ AS FOLLOWS:

QTE I HAVE THE HONOR TO REFER TO THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE GOVERNMENT OF THE UNION OF SOVIET SOCIALIST REPUBLICS CONCERNING THE DELIVERY OF SOVIET CRUDE OIL AND PETROLEUM PRODUCTS TO THE UNITED STATES OF AMERICA FROM 1976 THROUGH 1980,
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HEREINAFTER CALLED THE AGREEMENT, AND IN PARTICULAR TO ARTICLE 2(A) OF THE AGREEMENT.

QTE I HEREBY ADVISE YOU THAT THE GOVERNMENT OF THE UNITED STATES OF AMERICA HAS DETERMINED NOT TO PURCHASE ANY CRUDE OIL OR PETROLEUM PRODUCTS UNDER THE AGREEMENT FOR THE YEAR 1976. ACCORDINGLY THE TOTAL AMOUNT OF CRUDE OIL AND PETROLEUM PRODUCTS AVAILABLE FOR THE YEAR 1976 UNDER THE

AGREEMENT WILL BE AVAILABLE TO COMPANIES SERVING THE UNITED STATES MARKET. WITH RESPECT TO THE TEN MILLION METRIC TONS OF CRUDE OIL AND PETROLEUM PRODUCTS REQUIRED BY THE AGREEMENT TO BE FIRST OFFERED TO THE GOVERNMENT OF THE UNTIED STATES OF AMERICA FOR THE YEAR 1977 AND EACH

SUCCEEDING YEAR, WE EXPECT TO ADVISE YOU IN WRITING OF THE TERMS AND CONDITIONS OF ANY DETERMINATION UNDER ARTICLE 2(A) OF THE AGREEMENT WHICH WE MAY MAKE AT LEAST 90 DAYS PRIOR TO THE BEGINNING OF SUCH YEAR. UNQTE

4. SOVIET RESPONSE WOULD READ AS FOLLOWS:

QTE DEAR MR.

I HAVE THE HONOR TO ACKNOWLEDGE THE RECEIPT OF YOUR LETTER OF THIS DATE WHICH READS AS FOLLOWS:

(REPEAT OF ENTIRE U.S. TEXT)

QTE I AM PLEASED TO FURTHER INFORM YOU THAT I TAKE INTO CONSIDERATION THE CONTENT OF THE ABOVE MENTIONED LETTER.

QTE PLEASE ACCEPT, MR., THE ASSURANCES OF MY HIGHEST CONSIDERATION. UNQTE

5. NEW ARTICLE 7 OF THE AGREEMENT WOULD READ AS FOLLOWS:

QTE THIS AGREEMENT SHALL NOT BE DEEMED TO LIMIT IN ANY WAY THE VOLUME OF SALES OF SOVIET CRUDE OIL AND PETROLEUM PRODUCTS TO THE UNITED STATES MARKET, OR TO AFFECT COMMERCIAL RELATIONS BETWEEN FOREIGN TRADE ORGANIZATIONS OF CONFIDENTIAL

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THE UNION OF SOVIET SOCIALIST REPUBLICS AND UNITED STATES COMPANIES WITH RESPECT TO MARKETS OUTSIDE THE UNITED STATES OR WITH RESPECT TO SALES OUTSIDE THIS AGREEMENT. UNQTE

6. ONLY THING NEW INTRODUCED IN LENGTHY EXCHANGE OF ARGUMENTS FOR AND AGAINST ARTICLE 3 WAS FEEBLE SOVIET ATTEMPT TO INDICATE INSERTION OF NEW ARTICLE 7 IN AGREEMENT ALSO OBVIATED NEED FOR ARTICLE 3. OSIPOV REQUESTED U.S. RECONSIDER POSITION, ALSO ASKED WHAT COULD BE DONE TO BRIDGE GAP IN SHIPPING TALKS. ARMITAGE RESPONDED WITH FIRM STATEMENT OF NECESSITY FOR ARTICLE 3. AS TO SHIPPING, HE SAID THAT IT IS TOO EARLY TO MAKE ANY COMMENT ON TECHNICAL TALKS.

7. IN MARITIME DISCUSSIONS U.S. SIDE REJECTED SOVIET PROPOSAL TO USE SPOT MARKET RATE FOR 45-80 THOUSAND TON VESSELS AS BASE RATE ON GROUNDS THAT THIS WOULD EXCLUDE MOST U.S. SHIPS FROM CARRIAGE OF OIL. U.S. SIDE REITERATED ITS POSITION THAT FORMULA MOST EQUITABLE TO BOTH SIDES WOULD BE AFRA LONG-TERM TIME CHARTER SERIES

WHICH IS MOST COMPREHENSIVE EXPRESSION OF WORLD OIL MOVEMENTS. SOVIETS ON FRIDAY REJECTED U.S. PROPOSAL IN A PAPER WHICH BADLY DISTORTED U.S. POSITION. SOVIET PAPER APPEARED AIMED MORE AT MOSCOW READERSHIP THAN U.S. MARITIME DELEGATION. TWO DELEGATIONS WILL MEET AGAIN MONDAY MORNING. FROM VARIOUS PRIVATE COMMENTS OF SOVIET DELEGATION WE INFER THAT SOVIET MARITIME TEAM IS PUZZLED AND IRRITATED BY THEIR INVOLVEMENT IN OIL ISSUE.

8. ACTION REQUESTED: APPROVAL OF REVISED U.S.-SIDE LETTER AND SOVIET RESPONSE AND NEW ARTICLE 7 OF AGREEMENT.
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Message Attributes

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Margaret P. Grafeld
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Secure: OPEN
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TAGS: EEW, ENRG
To: KINSHASA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006